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Guatemala

Retail Sector Report

1999

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Report Highlights:

Despite some economic difficulties, there are many opportunities for U.S. products in Guatemala. The supermarket concept has been growing in recent years, and has now become a major source of food purchases for the population. The market is relatively easy to enter using distributors and direct importers. Best prospects are fruits, red meats, poultry products, and snack foods.

Includes PSD changes: No
Includes Trade Matrix: No
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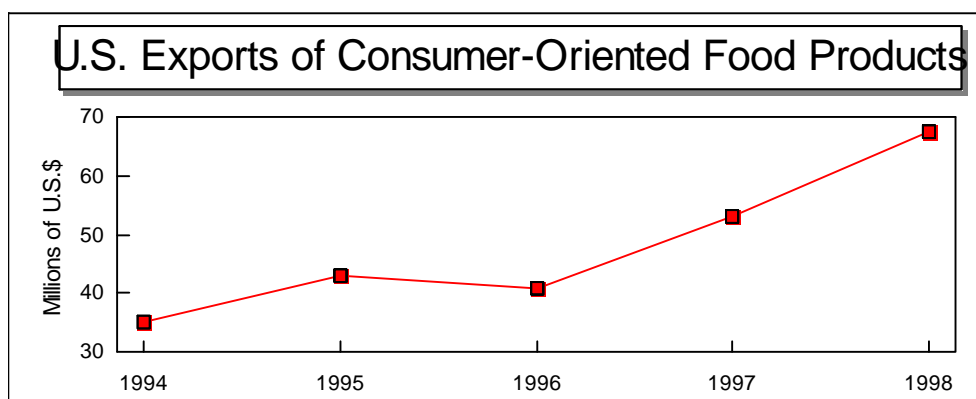
RETAIL FOOD SECTOR REPORT

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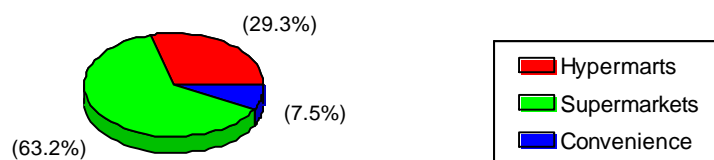
I. Market Summary

Over the last five years the supermarket sector has been growing rapidly. It has almost doubled in sales in that 5-year period, from \$114 million in 1994 to \$226.4 million in 1998. In 1997 U.S. consumer-oriented exports were \$53.0 million. In 1998 U.S. consumer-oriented exports totaled \$67.3 million, an increase of 27%. Over the five-year period, U.S. consumer-oriented exports have grown 91.7%, from \$35.1 million in 1994 to \$67.3 million in 1998. This is due to the increase in brand awareness, the changing trend among consumers, who now are more likely to go to a supermarket than before, and an increase in the number of outlets. Over all consumer-oriented goods account for 23.3% of all U.S. agricultural imports, which in 1998 totaled \$289.1 million. Total imports of consumer-oriented food products is estimated at \$344.2 million.



Consumer spending on food items for the year 1998 was estimated at \$3.05 billion. Total retail food sales for the same period were \$914.3 million. U.S. exports of consumer-oriented products to Guatemala in 1998 were \$67.3 million, representing only 7.4% of the total retail sales. Outlets most likely to carry U.S. products are supermarket, hyper mart, and convenience store chains, which only represent 25% of total retail sales. The other 75% of retail sales are in traditional markets and small corner stores. Imported products in corner stores are limited to mostly candies, canned foods, cereals, and powdered milk. The market share of each retail outlet is shown below.

Retail Outlet Share of Market



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- Supermarkets 63.2%
- Hyper marts 29.3%
- Convenience Stores 7.5%

Advantages and Challenges Facing U.S.**Products in Guatemala**

Advantages	Challenges
Of the 11.5 million Guatemalans 2.3 million inhabitants are in a position to afford imported goods	The economic condition of the country limits imports
Guatemalans view U.S. products as being of higher quality and safer	There is a lack of brand awareness among importers, retailers and specially consumers
The growing retail industry, and the growing demand for new and better products by consumers, create an exceptional opportunity for new imported goods	Imports cost much more than local products, and there are high tariffs, and quotas on some items
Importers generally like trading with U.S. exporters because of reliability	Imports most go through a complicated bureaucratic process
A growing trend away from traditional open markets and directed toward supermarkets. These are viewed as more sanitary, safe and time savers.	Limited infrastructure and distribution, especially for perishable products
Effective market promotion can overcome price sensitivity, and retailers are open to this and will readily participate.	Regional competition is strong, especially from Mexico, El Salvador and Chile

II. Road Map for Market Entry

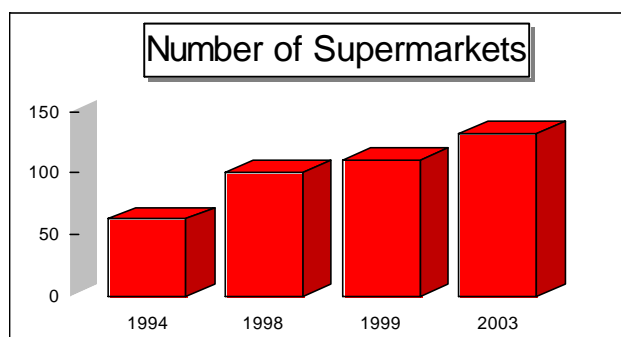
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A. Supermarkets, Hyper Markets and Club Outlets

Entry Strategy

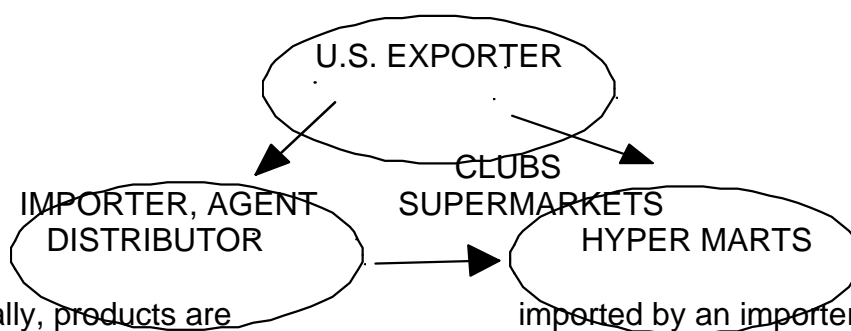
Success in introducing your product in the market depends on local representation and personal contact. Selecting a distributor is the easiest and fastest way to enter the market. In particular, it is best if this distributor is already supplying the supermarkets, in order to benefit from their existing customer base. The local representative or distributor should be able to provide market knowledge and guidance on business practices and trade related laws, as well as sales contacts. In many cases the local representative or distributor is also the importer. The FAS office in Guatemala maintains listings of companies that represent or distribute U.S. products in Guatemala. The office also has ongoing activities that provide opportunities to meet the Guatemalan trade.



The number of five years. In 1994 there were 66 units in the year 2003.

supermarkets has grown in the last there were only 66 units and by 1998 trend is expected to continue, reaching

Market Structure



- Normally, products are imported by an importer or agent who may also be

a wholesaler and/or distributor.

- Products represented by an agent tend to be better promoted.
- Most major supermarkets directly import some of their products.
- Most importers work directly with brokers out of Miami, FL.

In Guatemala it is not customary for companies to make public their annual sales. The annual sales used in this report were estimated and fit into the following categories.

Yearly Sales in U.S. Dollars

A= Under 5 Million

B= 5-20 Million

C= 21-50 Million

D= Over 51 Million

Company Profiles

<u>Retailer</u>	<u>Ownership</u>	<u>Sales</u>	<u>Num. of Outlets</u>	<u>Location</u>	<u>Purchase Type</u>
Hiperpaiz hyper mart	Local	D	3	Guatemala City	Direct Distributor
Paiz Supermarket	Local	D	26	Nation Wide	Direct Distributor
Despensa Familiar Supermarket	Local	D	53	Nation Wide	Distributor
La Torre Supermarket	Local	B	10	Guatemala Escuintla	Direct Distributor
Econo Super Supermarket	Local	A	10	Guatemala City	Direct Distributor
Multi-Mart Supermarket	Local	B	4	Guatemala City	Direct Distributor
Exclusivas Specialty	Local	A	6	Guatemala City	Direct Distributor
Selectas Specialty	Local	A	3	Guatemala City	Direct Distributor

The last two on the list are also supermarkets, however, they are listed as specialty because over 75% of there

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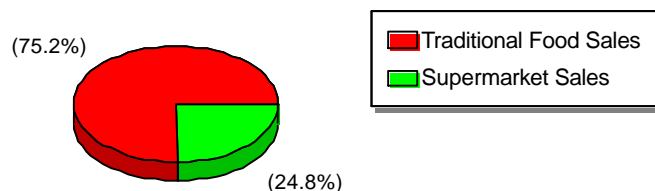
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product line is imported from the U.S. and their concept is that of a specialty shop.

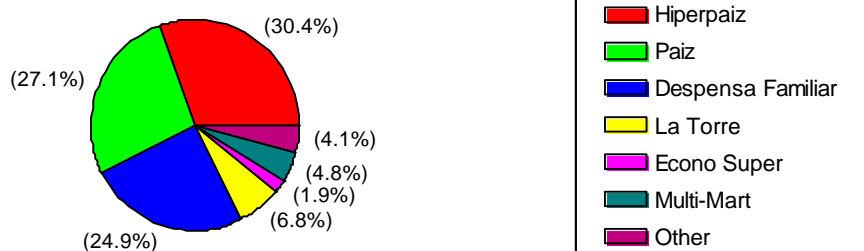
The supermarket concept in Guatemala has seen tremendous growth in the last five years. In May of this year, two Club Warehouse stores opened in Guatemala City. Their impact on the market has not yet been measured, but they are doing well and a third is planned for the spring. In 1994 supermarkets represented less than 15% of total retail food sales, and now they represent 25%. A more sophisticated customer base has developed that demands better products which are mainly satisfied by imports. The fact that shopping can be done at night has also helped, since in the open air markets shopping was only available during morning hours. The fact that most supermarkets have security in parking lots also provides an added advantage to the sector, especially with car theft and the overall crime rate being high.

The supermarket concept still has a way to go to become the major source of food products for the population. Of the \$914.3 million retail food market, supermarkets make up only 24.8% of those sales or \$226.4 million in 1998.

Total Retail Food Sales



Market Share



The supermarket sector in

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Guatemala is dominated by a single firm, La Fragua S.A. This company owns Hiperpaiz, Paiz, and the Despensa Familiar chains. Combined, these three chains account for 82.4% of the total supermarket retail food sales.

The "Other" category includes independent and smaller supermarket chains, as well as single unit supermarkets, delicatessen, and specialty stores in Guatemala City and the interior of the country.

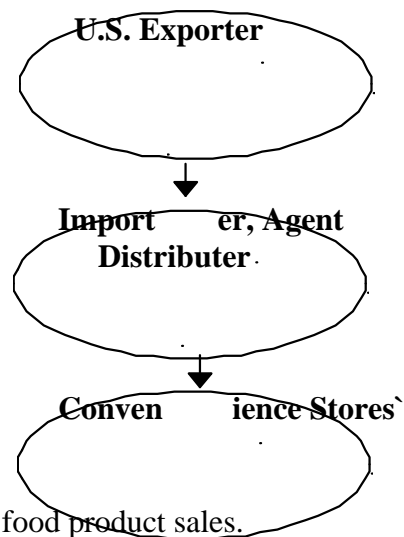
B. Convenience Stores

Entry Strategy

The procedure for entering the convenience store market is the same as the supermarket. Success in introducing a product in the market depends on local representation and personal contact. Selecting a distributor is the easiest and fastest way to enter the market. The local representative or distributor should be able to provide market knowledge and guidance on business practices and trade related laws, as well as sales contacts. In many cases the local representative or distributor is also the importer. The FAS office in Guatemala maintains listings of companies that represent or distribute U.S. products in Guatemala. The office also has ongoing activities that provide opportunities to meet the Guatemalan trade.

Market Structure

- Since their purchasing power is smaller, most convenience stores rely on agents, importers and/or distributors for their product.
- The same companies that provide the supermarkets also provide the convenience stores.
- Gas station mini marts have become very popular in Guatemala and are on every road exiting a major city.
- Presently they are the only business that offer 24 hour service besides pharmacies.
- Although convenience stores only represent 2% of retail food sales, they represent 4.4% of imported retail food product sales.



Most convenience stores are found along main boulevards and busy avenues, as well as on the three national roads. They are also found in some of the major cities; however, the majority of the stores are located within Guatemala city limits.

More than 75% of the products in the convenience stores are imported, most of it being from the US. In fact, many of the POS Materials are written in English.

The main players are Essomart, Tigermart, Starmart Select and Super 24. All of them with the exception of Super 24 also sell gasoline, and are operated by gasoline companies. All stores sell fast food, mostly hot dogs and sandwiches.

- Essomart is operated by Esso.
- Tigermart is operated by Esso.
- Starmart is operated by Texaco.
- Select is operated by Shell.

Company Profiles

Annual Sales in Millions of U.S. Dollars

A= under 2 Million

B= 2-3 Million

C= 3-4 Million

D= 4-5 Million

E= 5-6 Million

F= Over 6 Million

Retailer	Ownership	Retail Food Sales	Num. of Outlets	Location	Purchase Type
Essomart Convenience	Local US	F	32	National	Distributors
Star Mart Convenience	Local US	B	11	National	Distributors
Super 24 Convenience	Local	D	20	National	Distributors
Select Convenience	Local US	E	27	Guatemala City	Distributors

C. Traditional Markets

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Entry Strategy

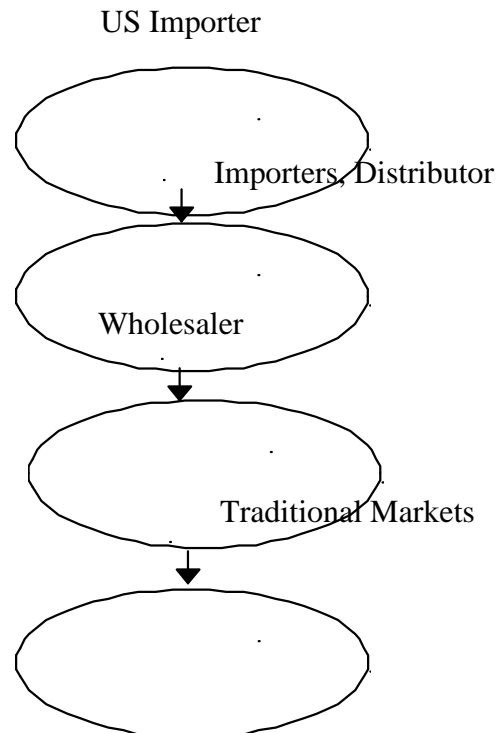
There are two types of traditional markets in Guatemala. One is the open air market. This is where the local farmers sell their products. It is set up similar to a farmer's market. Each person has a stand and sells their product every day and at the end of the day takes whatever is left home. This market sells a lot of fresh produce. The second are the corner stores, which are mom and pop operations. The number of these corner stores is huge. It is estimated that there are two of these per every city block. They are very small, on average 30sq ft, and carry an inventory, on average, of \$500.

Products entering the open air markets should be low cost and handled through a wholesaler.

Products entering the mom and pop stores must be relatively non perishable and low-cost items. The distributor is the same who supplies supermarkets and convenience stores. The main difference is the inclusion of at least one wholesaler, sometimes more than one for products sold in the interior of the country. This wholesaler gets the product to his customer base by route system, going store to store on a daily basis. They do not work on the basis of a purchase order, but carry sufficient inventory to supply the entire route. Again the way to enter this market is through importers, distributors, and wholesalers. Most of the companies that supply this sector are the same that supply the other two.

Market Structure

- Traditional markets pull much of their product from farmers and small wholesalers
- Guatemala's underdeveloped infrastructure limits the size of these wholesalers
- About 75% of retail food sales are still made through traditional markets
- There has been a move away from open air markets due to their unsanitary practices
- Small corner stores have a higher unit price than supermarkets



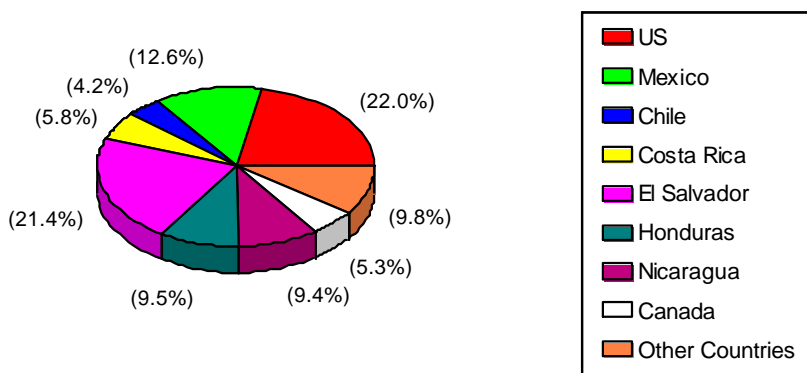
III. Competition

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Central American countries, Mexico, Canada and Chile are the main competitors for the Guatemalan imported food market. The existence of free trade agreements between Central American countries provides a great opportunity for constant exchange of products. Mexico has been expanding into the Guatemalan market and is seeking a trade agreement to increase their market presence. Mexico already has a large presence in bread and snacks, as well as fresh produce and other consumer ready products. Chile has also been gaining ground and is also negotiating a free trade agreement. Chile is very prominent in the fruit and wine markets.

MARKET SHARE OF FOOD IMPORTS



El Salvador has traditionally been Guatemala's main

trading partner. However, the U.S. has been successfully gaining market shares. In 1998 U.S. food imports accounted for 22% of the total food imports.

- El Salvador's share of the food market was 21.4%, mostly consumer ready products.
- Nicaragua's share of the food market was 9.4%, mostly beef.
- Honduras's share of the food market was 9.5%, mostly consumer ready products
- Costa Rica's share of the food market was 5.8%, mostly dairy and some consumer ready products
- Mexico's share of the food market was 12.6%; However, this number is deceiving. It is estimated that over \$4 million in additional food imports enter Guatemala illegally each year from Mexico. These products include pork, candies, eggs, and all types of consumer ready products. Products imported legally include breads, snacks, deli meats, and many other consumer ready products.

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IV. Best Product Prospects

A. Products Present in the Market which have a Good Sales Potential

Below is a list of products that have the best potential in the market. Fruits and vegetable imports from the US have been growing rapidly. Meat imports have great potential because they are viewed as higher quality and safer than the national meats. Poultry has been entering the country even with a 7000 metric ton quota. Products imported within the quota pay a tariff of 15%, but outside the quota the tariff is 43%. However, precooked and flavored poultry is not included in the quota, which allows a great opportunity for exporters. In 1998, Guatemalans consumed more than \$333.4 million of poultry.

Product	Market Size	US 1998 Imports	Total Imports
	Millions of U.S.\$	Millions of U.S.\$	Millions of U.S.\$
Snack Bakery	43.5	3.4	31.3
Pork	234.5	3.1	4.7
Poultry	333.4	14.5	15.3
Apples	4.5	3.5	4.3
Grapes	5.6	4.5	5.3

It is apparent from the above list, snack items and pork products are present in the market, but U.S. products represent a very small share of it. Pork is probably the product with the most potential. Consumption of pork products in 1998 was \$234.5 million, yet U.S. exports to Guatemala were only \$3.1 million. U.S. pork products are perceived by the consumers as more sanitary and of higher quality than the national pork. Mexico has been exporting about \$1 million a year; however, this product has been entering by contraband and the figure is estimated.

Tariffs and quotas vary depending on the product. Tariffs could be anywhere from zero for raw materials, up to 42 percent for some products, 15 percent being the usual tariff on finished products. Guatemala has entered into a tariff reduction agreement with other Central American countries which has gradually lowered tariffs over the last three years.

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B. Product Not Present Because They Face Significant Barriers

There are no products that are banned in the market. There are quotas on many items, including wheat, corn, rice, apples, fresh poultry and red meats. Recently, tariffs on dairy products (excluding powdered milk) were raised to 42 %. The product with the most restriction is fresh poultry, yet imports from the US in 1998 were \$14.5 million.

In 1999 the Ministry of Economy reduced tariffs as follows:

For products with a tariff of: the tariff was reduced to:

- | | |
|--------------|-----|
| • 7% | 5% |
| • 12% | 10% |
| • 17% | 15% |

V. Post Contact and Further Information

If you have any question or comments regarding this report or need assistance exporting to Guatemala, please contact the U.S. Agricultural Affairs Office at the following address:

Office of Agricultural Affairs
Avenida Reforma 7-01, Zona 10
Guatemala, Ciudad 01010
Tel: (502) 332-4030
Fax: (502) 331-8293
email: AgGuatemala@fas.usda.gov

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